

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION                    )  
OF CHESAPEAKE UTILITIES CORPORATION            )  
REGARDING ITS ACQUISITION AND                    )       PSC DOCKET NO. 19-0529  
CONVERSION OF PROPANE COMMUNITY            )  
GAS SYSTEMS    )  
(FILED AUGUST 20, 2019)

**ORDER NO. 10033**

**AND NOW**, this 11<sup>th</sup> day of May 2022, the Delaware Public Service Commission (“the Commission”) determines and orders the following:

**WHEREAS**, on August 20, 2019, Chesapeake Utilities Corporation (“Chesapeake” or “Company”) filed an Application with the Commission seeking an Order to establish regulatory accounting treatment and a replacement value methodology for Chesapeake’s acquisition of propane gas systems (“CGSs”) from the Company’s affiliate, Sharp Energy, Inc. (“Sharp”) and the conversion of the Sharp-owned CGSs to natural gas service; and

**WHEREAS**, on May 7, 2020, the parties provided the Hearing Examiner with a unanimous Proposed Settlement Agreement executed by all four (4) parties: the Company, Commission Staff (“Staff”), the Division of the Public Advocate (“DPA”), and the Board of Directors of Harts Landing; and

**WHEREAS**, on May 18, 2020, the Hearing Examiner submitted his Findings and Recommendations; and

**WHEREAS**, on June 17, 2020, the Commission conducted a public evidentiary hearing on the Proposed Settlement Agreement and, after deliberations, entered Order No. 9594 adopting

the Findings and Recommendations of the Hearing Examiner and approving the Proposed Settlement Agreement (the “Settlement Agreement”) executed by all four (4) parties; and

**WHEREAS**, on July 17, 2020, Chesapeake filed a compliance filing with the Commission establishing a levelized five-year CGS Surcharge for the Hart’s Landing community of \$0.2205 per CCF as well as modifications to its tariff to reflect the CGS Surcharge; and

**WHEREAS**, on August 19, 2020, the Commission entered Order No. 9640 which granted Chesapeake’s request to implement a CGS Surcharge of \$0.2205 per CCF effective September 1, 2020, with the condition that one year after all conversions in the Hart’s Landing community are completed, Chesapeake shall adjust the CGS Surcharge based on actual conversion costs; and

**WHEREAS**, on April 7, 2022, Chesapeake filed a compliance filing in accordance with the Settlement Agreement and Order No. 9640, that included an updated Internal Rate of Return Model with actual conversion costs of \$742,495.<sup>1</sup> The calculated levelized five-year CGS Surcharge based on the actual conversion costs results in an increase to the CGS Surcharge from \$0.2205 per CCF to \$0.2849 per CCF; and

**WHEREAS**, Chesapeake has requested that the updated CGS Surcharge of \$0.2849 per CCF become effective on June 1, 2022; and

**WHEREAS**, Staff has reviewed Chesapeake’s filing and has submitted a memorandum to the Commission recommending approval of the updated levelized five-year Hart’s Landing CGS Surcharge in the amount of \$0.2849 per CCF effective June 1, 2022;

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<sup>1</sup> The estimated conversion costs for the Hart’s Landing community were \$701,052.

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE  
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. That Chesapeake's request to increase its levelized five-year CGS Surcharge for the Hart's Landing community from \$0.2205 per CCF to \$0.2849 per CCF effective June 1, 2022, is granted.
2. That after the expiration of the five-year period, the CGS Surcharge will be removed during Chesapeake's annual rate class review period.
3. That the Commission retains the jurisdiction and authority to enter such further orders in this Docket as may be deemed just and reasonable.

**BY ORDER OF THE COMMISSION:**

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Dallas Winslow, Chairman

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Joann Conaway, Commissioner

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Harold Gray, Commissioner

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Manubhai "Mike" Karia, Commissioner

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Kim F. Drexler, Commissioner

ATTEST:

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Donna Nickerson, Secretary